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Interim Report January–March 2001

TELIA

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Group executive management press conferences are broadcast "live" via our Swedish web site at www.telia.se when reports are presented.

Financial Information

Interim Report January–June	16 August
Interim Report January–September	7 November

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Telia January–March 2001

- Improved margins in mobile telephony operations
- Increased rate of delivery for broadband. Com hem strengthens the broadband initiative
- The Group's net sales increased by 5.7 percent to MSEK 13,592
- Underlying EBITDA grew by 2.7 percent to MSEK 3,348
- Operating income was MSEK 811 (3,382), earnings in 2000 affected by extensive capital gains
- Mobile operator Tess divested with an estimated capital gain of GSEK 2.7 in the second quarter

Review of Group Earnings

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Net sales	13,592	12,857	54,064
Change in net sales (%)	5.7	3.7	3.7
Underlying EBITDA	3,348	3,260	13,087
Underlying EBITDA margin (%)	24.6	25.4	24.2
Operating income	811	3,382	12,006
Income after financial items	502	3,436	11,717
Net income	291	2,390	10,278
Earnings per share (SEK)	0.10	0.84	3.50
Return on equity (%)	–	–	23.9
Investments	3,659	4,644	47,742
of which goodwill, shares and participations	91	2,459	31,162

Summary

The Telia Group's net sales for the first three months totaled MSEK 13,592, up 5.7 % from the same period of the preceding year. As previously, growth was in mobile communications, Internet and international carrier operations.

Demand for Internet access and broadband continued to climb. Telia increased its rate of delivery of broadband during the year. In Sweden the number of paying customers with ADSL and LAN rose from 42,000 to 68,000 and in the cable TV business com hem the number of paying customers with broadband Internet rose from 22,000 to 31,000.

Growth is somewhat weaker than previously in mobile communications and international carrier operations. After the huge stream of new mobile customers in 2000, Telia has reduced its discounts on terminals, which along with the Swedish National Post and Telecom Agency's requirements on reduced interconnect fees has slowed revenue growth in Sweden.

Prices on the international carrier market have been under enormous pressure, particularly in telephony. Telia has decided to refrain from business with low margins and high risk, which affected sales for the period.

The decrease in revenues in the fixed network operations was moderate at 2.0 percent. There has not been sufficient time for the increased subscription price of 1 March to have more than a minimal impact on revenues.

Group underlying EBITDA grew by 2.7 percent to MSEK 3,348. The improvement is partly attributable to the acquisition of the Norwegian mobile operator NetCom and healthier profit in the Swedish mobile telephony operations. At the same time, the margins in the Swedish fixed network operations were maintained through streamlining measures and higher wholesale sales.

The current initiatives on building up a broadband market for Internet-based services in Sweden, the mobile portals initiative and the establishment of an international carrier business entail increased costs.

Operating income totaled MSEK 811 (3,382). Operating income in 2000 was affected by capital gains of MSEK 2,495 from sales of fixed network operations in Norway and companies within the Unisource group.

Several businesses were divested as part of the Group's refine and focus strategy, including the mobile operator SI.Mobil in Slovenia. An agreement was also made with Industri Kapital for the sale of a group of eight companies. The Group's financial interests in the mobile operator Tess in Brazil were divested at the beginning of April, with an estimated capital gain of GSEK 2.7.

Telia's completed and contracted divestitures involve over 10,000 employees.

The Swedish cable TV business com hem, which was previously on the list of companies to sell off, will not be divested. The com hem business strengthens and complements the broadband initiative currently underway in the fixed network. This is why the operations will be transferred to the Telia Internet Services business area.

A new Group structure was introduced on 1 April 2001 in order to strengthen the business orientation and to allow Telia to participate in the restructuring of the industry.

Sales

The Group's net sales rose by 5.7 percent during the first quarter compared to the same quarter of 2000. Revenue growth was 4.2 percent for comparable units with sustained strong growth in mobile communications. Revenues climbed by 46 percent due to continued strong customer growth in Denmark and Finland and the acquisition of the mobile operator NetCom in Norway. Revenue growth was 7.2 percent on the Swedish mobile telephony market. The relatively moderate growth in Sweden was primarily due to the decreased interconnect fees determined by the Swedish National Post and Telecom Agency (PTS), but also to reduced discounts on terminals.

Fixed network-based Internet services also showed strong growth. First quarter sales in the Telia Internet Services business area climbed by 25 percent compared to the same period 2000. Demand for all types of access remained great – dial-up access, dedicated access, narrowband, broadband – and there was also a substantial increase in sales for applications and services, partly attributable to the new broadband services launched on the market.

In 2001, deliveries of broadband via ADSL and LAN have taken off in Sweden, where the number of paying customers with broadband Internet connections rose from 42,000 to 68,000. In Denmark, where Telia offers broadband connections via the cable TV network, the number of broadband installations climbed from 175,000 to 211,000, while the number of paying customers with broadband Internet rose from 30,000 to 38,000. In the Swedish cable TV business com hem, the number of broadband installations rose from 193,000 to 252,000, and the number of paying customers with broadband Internet from 22,000 to 31,000.

In Sweden, additional general agreements were signed with property owners and cooperative buildings for broadband connections. These general agreements have a potential of 918,000 customer connections in the fixed network and 376,000 in the cable TV network.

Sales in the international carrier business rose by 9.6 percent from the preceding year. The rate of growth has slowed. Lack of capital has caused uncertainty on the carrier market and led to enormous pressure on prices and subsequently reduced demand on infrastructure and network capacity.

Net Sales per Business Area and Product Segment [1)]

	Jan–Mar 2001 MSEK	Change %	Jan–Mar 2000 MSEK	Full Year 2000 MSEK
Mobile				
Mobile telephony	3,442	54.3	2,230	11,329
Other	172	–31.5	251	1,036
	3,614	**45.7**	**2,481**	**12,365**
International Carrier	**740**	**9.6**	**675**	**3,012**
Networks				
Retail market	6,664	–4.6	6,988	27,217
Fixed telephony	5,009	–8.6	5,483	20,872
Network capacity	437	10.9	394	1,571
Data communications	492	5.4	467	1,871
Customer premises equipment	331	–6.5	354	1,464
Other	395	36.2	290	1,439
Wholesale market	811	27.1	638	2,988
	7,475	**–2.0**	**7,626**	**30,205**
Internet Services	**532**	**24.6**	**427**	**1,819**
Equity	**1,180**	**–25.8**	**1,590**	**6,450**
Group-wide	**51**	**–12.1**	**58**	**213**
Total	**13,592**	**5.7**	**12,857**	**54,064**

1) For further information: www.telia.com, Investor Relations, Financial information, External Net Sales per Business Area and Product Segment (specification).

The fixed network business, Telia Networks, showed only a moderate decrease in revenues of 2.0 percent despite the impending effects of the slashed prices and reduced retail market shares of 2000. The reduced net sales on the retail market were partially compensated by higher wholesale sales. Sales in the wholesaling operations climbed by 27 percent during the quarter.

Decreased net sales in the business area Telia Equity are attributable to whole and partial divestitures, including the directory operations Eniro. Sales increased for comparable units by 8.3 percent.

Earnings

Underlying EBITDA

To show the trend in earnings in the Group's majority-owned core operations, the term "underlying EBITDA" is used, which describes operating income before depreciation, excluding non-recurring items and earnings from associated companies.

The Group's underlying EBITDA for the first quarter of 2001 totaled MSEK 3,348, up 2.7 percent from the same period the preceding year. The margins in Telia Mobile's Swedish operations showed continued improvement and the acquisition of the Norwegian mobile operator NetCom in 2000 led to a 34 percent increase in underlying EBITDA to MSEK 1,134 in the mobile operations.

Underlying EBITDA and Operating Income

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Mobile	1,134	845	3,396
International Carrier	–354	–114	–572
Networks	2,837	2,928	11,257
Internet Services	–235	–172	–994
Equity	204	126	1,624
Group-wide	–238	–353	–1,624
Total underlying EBITDA	**3,348**	**3,260**	**13,087**
Depreciation, amortization and write-downs	–2,410	–1,836	–8,222
Non-recurring items & pensions	30	1,316	8,338
Share of earnings in associates	–157	642	–1,197
Operating income	**811**	**3,382**	**12,006**

Substantial price cuts in fixed telephony during 2000 and reduced market shares, primarily for local calls, had a negative impact on earnings in Telia Networks. The effects were largely compensated by streamlining measures and increased telephony wholesale sales. Underlying EBITDA for Telia Networks for the quarter was MSEK 2,837, which is a decline of 3.1 percent. The margin was maintained during the period.

Major initiatives are underway within the business areas Telia Internet Services and Telia International Carrier, burdening Group earnings. Telia Internet Services is focusing on building up a broadband market for Internet-based services in Sweden while Telia International Carrier is establishing transport networks for Internet, broadband services and mobile services in Europe and the United States.

Underlying EBITDA improved within the business area Telia Equity. Earnings growth is chiefly attributable to Swedia Networks, which builds and maintains telephony and communications networks in Sweden and internationally.

Group-wide costs were reduced due to cutbacks in consultant services and transferred cost allocation for Group projects to the business areas.

Earnings from associated companies

Earnings from associated companies totaled MSEK –157, compared with MSEK 642 during the same period the preceding year, which was affected by capital gains from the divestiture of Unisource.

Netia. The company is currently in a relatively early stage of development and shows strong customer and revenue growth. The decline in share of earnings is attributable to Telia having increased its stake in the company and to exchange rate effects. The company is sharpening its focus on business customers in order to improve profitability.

Baltic states. The mobile operators in the Baltic states and northwestern Russia are demonstrating continued strong customer growth while further improving earnings during the period. The aggregate customer base of the companies increased from 1,159,000 to 1,254,000 customers. On 1 January 2001, the Estonian fixed network market was opened to competition.

Unisource/AUCS. Earnings for the first quarter of 2000 were chiefly attributable to capital gains in connection with the liquidation of companies within Unisource. The deficit in the remaining operations (AUCS) burdened first quarter earnings.

Comsource/Eircom. Telia intends to sell its interest in Comsource/Eircom and supports Vodafone's bid to acquire Eircom's mobile operator company Eircell.

Telia Overseas. Earnings were affected by a capital gain of MSEK 381 from the sale of Telia Overseas' 29 percent share in the Slovenian mobile operator company SI.Mobil. The mobile telephony operator Tess in Brazil, which is in a build-up phase, affected earnings by MSEK –378 compared to MSEK –246 year on year. Telia's economic involvement in Tess was divested at the beginning of April.

Share of Earnings in Associated Companies

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Netia Holdings (Networks)	–143	–34	–411
Baltic states (Mobile/Networks)	23	15	190
Unisource/AUCS (Networks)	–49	1,004	1,445
Comsource/Eircom (Networks)	–204	–81	–933
Telia Overseas (Equity)	–2	–257	–1,719
Eniro (Equity)	292	–	185
Other associated companies	–74	–5	46
Totalt	**–157**	**642**	**–1,197**

Eniro. Following the initial public offering in October 2000, Eniro carried out a number of company acquisitions in Germany, Russia, and elsewhere. One of the acquisitions included a directed new share issue. The issue proceeds affected Telia's share of earnings by MSEK 218 during the period.

Other associated companies. Other associated companies include Scandinavia Online AB, with its share of earnings totaling MSEK –39 compared to MSEK – 10 year on year.

Non-recurring items

Non-recurring items totaled MSEK 30 during the quarter. Non-recurring items totaled MSEK 1,316 during the same period 2000, most of which was comprised of capital gains from the divestment of the fixed network operations in Norway.

Operating income/net income

The Group's operating income was MSEK 811 compared with MSEK 3,382 year on year. The weaker earnings are chiefly attributable to the fact that 2000 earnings were affected by capital gains (MSEK 2,495), which are reported under "Earnings from associated companies" and "Non-recurring items."

Consolidated net income after financial income and expense, taxes, and minority shares totaled MSEK 291 compared with MSEK 2,390 in the first quarter of 2000.

Earnings per share totaled SEK 0.10 compared with SEK 0.84 in the preceding period.

Financial Position and Cash Flow

The Group's financial position remains good with a satisfactory equity/assets ratio. The balance sheet total increased with the sales growth for comparable units. The interest coverage ratio was weaker compared to the preceding year, which is attributable to interest on loans taken during the last six months of the year for financing the acquisition of NetCom ASA. This borrowing also affected the debt/equity ratio, which continues to be low, however, compared to other operators with similar business.

MSEK	31 Mar 2001	31 Dec 2000	31 Dec 1999
Interest coverage ratio (multiple)	1.8	7.3	8.5
Balance sheet growth (%)	3.5	60.2	13.9
Asset turnover rate (multiple)	0.52	0.54	0.72
Equity/assets ratio (%)	45.3	44.4	41.0
Capital employed	100,130	92,374	50,936
Operating capital	82,482	75,042	39,160
Net interest-bearing liability	24,425	20,235	7,527
Debt/equity ratio (multiple)	0.42	0.37	0.24

Cash flow from operating activities and operating cash flow decreased due to growth of working capital.

Investments

Investments dropped by 21 percent compared to the preceding year, primarily due to the fact that no major company acquisitions or capital infusions to associated companies or companies outside the Group were made during the period.

Investment by Class of Asset

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Goodwill	29	13	22,893
Other intangible assets	52	86	509
Real estate	57	382	552
Machinery and equipment	3,459	1,717	15,519
Fixed telephony installations	*422*	*325*	*4,115*
Mobile telephony installations	*349*	*179*	*1,411*
Other machinery and equipment	*2,688*	*1,213*	*9,993*
Shares and participations	62	2,446	8,269
Total	**3,659**	**4,644**	**47,742**

Investments in production equipment for mobile and fixed services were doubled. The majority of these investments were for the expansion of the international carrier network, broadband expansion in Sweden and greater capacity in the Nordic mobile networks.

New Group Structure

A new Group structure was introduced on 1 April. The new structure lays the ground for improving Telia's possibilities to take part in the restructuring of the industry, strengthens Telia's orientation and facilitates the Group's internationalization efforts.

Five business areas have been formed: Telia Mobile, Telia International Carrier, Telia Internet Services, Telia Networks and Telia Equity. Each business area is responsible, within its product area, for the Group's total earnings across all markets in Sweden and internationally. A common sales unit has been formed on the Swedish market, Telia Sweden.

Telia's executive management consists of an Executive Committee and Group Management. In addition to Chief Executive Officer Marianne Nivert, the Executive Committee includes Bo Jacobsson, CFO and Head of Corporate Financial Control; Lars Härenstam, responsible for Group Development and Human Resources; and Jan Rudberg with special responsibility for new business.

The Group Management team includes, in addition to the executive management, the five business area heads, the communications director, the marketing director for the skills market, and the director of Telia Sweden.

Acquisitions and Divestitures

Telia and Tele2 formed the jointly owned (50:50 split) company Svenska UMTS-nät AB during the first quarter. The company will build and operate networks for the UMTS mobile telephony system. The parties will continue to be competitors, each with its own range of services. The agreement requires the approval of the Swedish Competition Authority.

During the period, Swedia Networks expanded its operations in Germany by acquiring all shares in Cochet+Schwarz Planungs GmbH. Telia also owns 8 percent of the shares in TicketAnywhere Europe AB, active in the area of mobile travel services. In April, this shareholding was increased to nearly 14 percent.

Operations were sold in January 2001 in the subsidiary Combinator IT AB, which handles project management and technical integration in distributed IT environments. In February, the subsidiary Telia Trading AB was divested, which sells and leases reconditioned telecom and datacom products. At the beginning of May, the call center operations Direct Response Services in Sweden, Norway, Denmark and Finland were sold.

At the end of March, an agreement was made with Industri Kapital 2000-fonden for the sale of 51 percent of Telia's holdings in the subsidiaries Swedia Networks AB, Telia Prosoft AB, Respons AB, Validation AB, Telia Swedtel AB, Telia Dokumentation AB, Multicom Security AB and TA Teleadress Information AB and their subsidiaries. The deal is expected to go through in May, subject to the approval of the European Commission.

Telia's partly owned subsidiary Telia Overseas AB divested its 29 percent share in the Slovenian mobile company SI.Mobil in February to the Austrian company Mobilkom Austria.

During the period, Telia, which previously controlled 49 percent of the shares in the Polish directory company Panorama Polska Sp. z o.o., entered into an agreement regarding the acquisition of remaining shares from the American company Verizon. The agreement requires the approval of the Polish government agency.

Telia signed an agreement in April for the sale of the Brazilian mobile operator Tess S/A to Telecom Americas. Telia AB and Telia Overseas AB are selling all shares with limited voting rights in Tess. With a limited number of shares with special voting rights, Telia and Telia Overseas will together maintain the majority of votes in Tess. The buyer assumes all of Telia's and Telia Overseas' financial interests in Tess.

On 21 December 2000, Vodafone Group plc and Eircom plc announced an agreement that Vodafone will acquire Eircom's mobile operations, Eircell. The acquisition entails the transfer of operations to the newly incorporated company Eircell 2000 plc, after which Eircom's shareholders will receive one Eircell 2000 share for every one Eircom share. Vodafone's offer for Eircell will be 0.9478 Vodafone shares for every two Eircell 2000 shares. Telia and KPN, which via Comsource UnLtd will control 35 percent of the shares in Eircell, have accepted the offer. The acquisition is estimated to be completed during the first six months of 2001.

Employees

The average number of employees fell during the period and totaled 28,644 compared to 30,307 during full year 2000. The decrease is primarily attributable to Eniro being reported as an associated company.

Review of Business Areas

Telia Mobile

External sales rose by 46 percent for the mobile operations, to MSEK 3,614. The increased sales resulted from healthy growth in Denmark, Finland and Norway. Growth in Sweden was somewhat weaker due to greatly reduced interconnect fees. Revenue growth was 15 percent for comparable units.

Stronger earnings in Sweden, Norway and Finland served to improve underlying EBITDA by 34 percent, to MSEK 1,134. Earnings from associated companies increased from MSEK 16 to MSEK 27 as a result of continued strong customer growth in the operator companies in the Baltic states and northwestern Russia. These companies increased their total customer base from 1,159,000 to 1,254,000 customers.

Operating income for the business area was MSEK 407, compared with MSEK 563 year on year. The result reflects amortization of goodwill in the amount of MSEK 303 following the acquisition of NetCom.

Investments for the period totaled MSEK 509 and were aimed at increasing capacity in existing networks and investments in new technology, including GPRS and UMTS. The high level of investment in 2000 is attributable to the acquisition of shares in First National Holding.

The number of mobile customers in the Nordic countries at the end of the quarter totaled 4,598,000, which meant that Telia cemented its position as the leading mobile operator in the Nordic countries. From the first quarter of 2000 to the first quarter of this year, the number of customers increased by 1,563,000.

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Net sales	4,062	2,994	14,556
of which external	3,614	2,481	12,365
Underlying EBITDA	1,134	845	3,396
Operating income	407	563	1,585
Investments	509	1,001	26,017
Mobile telephony, Sweden			
Net sales	2,669	2,553	10,889
of which external	2,247	2,097	8,868
Underlying EBITDA	1,194	1,035	4,138
Investments	237	177	1,108
Mobile telephony, Norway			
Net sales	905	–	1,669
of which external	899	–	1,655
Underlying EBITDA	286	–	471
Investments	124	–	23,267
Mobile telephony, Finland			
Net sales	142	48	370
of which external	137	47	364
Underlying EBITDA	–71	–123	–494
Investments	38	20	214
Mobile telephony, Denmark			
Net sales	183	107	505
of which external	159	86	442
Underlying EBITDA	–144	–69	–475
Investments	49	4	246

Telia's strong position in the Nordic and Baltic mobile markets is shaping opportunities for synergy and economies of scale, affecting network expansion and service development alike.

At the beginning of this year, a Nordic billing center was established. At the beginning of May, the business area presented the first pan-Nordic mobile service, which entails a lower, standardized rate for calls within the Nordic countries. An initial stage of the service will be introduced on the Norwegian market by the subsidiary NetCom in the fall of 2001.

Telia Mobile will offer GPRS and UMTS services across the entire Nordic market. The first GPRS services were launched in Norway at the end of January 2001. In Sweden, pilot testing was introduced and the commercial launch is scheduled for the autumn when GPRS telephones are available on the market.

The business area will be the first operator in the Nordic countries to launch UMTS services on the Norwegian market at the end of 2001. During the quarter, work was initiated on building up the jointly owned network company with Tele2 in Sweden.

Mobile telephony, Sweden

External sales rose by 7.2 percent to MSEK 2,247 for the Swedish operations. The rate of growth has slowed. Greatly reduced interconnect fees and slashed retail prices affected net sales during the first quarter. The price level showed an 11 percent decline. Revenues have also been affected by the fact that the business area, after the healthy stream of customers during 2000, decided to reduce the discounts on terminals. During the first quarter, the number of GSM customers in Sweden increased by 33,000 while the number of customers via service providers increased from 48,000 to 60,000.

Traffic volume per customer rose during the quarter for both subscription customers and prepaid card customers. A growing share of prepaid card customers left the average traffic volume per customer per month unchanged at 117 minutes. SMS message volume surged from 25 million to 79 million compared to the same period of the preceding year. Price cuts, particularly on interconnect traffic, resulted in decreased ARPU, from SEK 314 to 273.

Earnings in the Swedish operations showed great improvement. Underlying EBITDA climbed by 15 percent to MSEK 1,194 and the margin improved from 41 to 45 percent. The improvement in earnings is a result of better cost-effectiveness measures and more moderate marketing through reduced discounts on terminals.

The main reason for the increased churn from 8 percent to 10 percent compared to the fourth quarter of 2000 is the release of the remaining NMT 900 customers.

During the period, a substantial part of Mobile's resources was concentrated on the development of new services. A new type of subscription, Mobitel Plus, was launched on the market. This subscription is expected to reduce the need for discounts on terminals when customers are given the opportunity to influence the distribution of variable and fixed costs, including costs for buying terminals.

Several other positioning services were launched during the quarter. Services developed for GPRS include Telia Mobile InTouch, a mobile communications service that works like today's ICQ search service on the Internet. Customers use the service for easy communication via chat, SMS and e-mail.

During the period, Telia Mobile invested in the company TicketAnywhere for the development of a platform for handling tickets and vouchers.

Mobile telephony, Norway

The Norwegian market showed robust earnings growth during the quarter. External net sales increased by 27 percent to MSEK 899. The principal reason for this is the growing share of business customers. The sharper focus on the business market increased traffic volume per customer per month from 130 to 133 minutes and ARPU climbed from NOK 289 to 298.

On the Norwegian market, the number of GSM customers increased by 4,000 to 854,000, while the number of customers attained through service providers increased by 41,000 to 91,000.

The number of SMS messages showed continued healthy growth. During the quarter, 123 million messages were sent, up 116 percent from the same quarter of the preceding year.

The HomeRun service, which provides wireless data transfer at speeds up to 11 Mbps, was launched on the Norwegian market under the brand name NetCom HomeRun.

NetCom initiated cooperation with Schibsted Telecom during the quarter on the development of content services for mobile terminals.

Mobile telephony, other Nordic countries

External net sales showed robust growth in Denmark and Finland as well. On the Danish market, the number of GSM customers rose by 34,000 to 331,000 and external net sales grew by 85 percent for the period to MSEK 159. The robust customer growth also entailed customer recruiting costs. Combined with high costs for interconnect traffic, this had a negative impact on underlying EBITDA, which sank during the period from MSEK –69 to MSEK –144.

Work was begun during the quarter on establishing a GSM 900 network in Denmark, which will have a positive effect on today's high roaming costs.

External sales rose by 47 percent to MSEK 137 on the Finnish market. The number of GSM customers grew by 5,000 during the period to 154,000. Lower production costs reduced the deficit in the operations from MSEK –123 to MSEK –71.

Mobile portals

The operator-independent mobile portal Speedy Tomato has been test-launched on four European markets: Italy, the U.K., Denmark and Finland. In Italy, the portal was established in cooperation with Olivetti Tecnost. A collaborative project has been initiated for the development of mobile services for games and entertainment with the company Moby, a production company in the Spray Group for mobile entertainment and mobile services. The services will be available on Speedy Tomato's mobile portals and at www.teliamobile.se.

Speedy Tomato and Anoto, a subsidiary of C Technologies AB, have established a collaboration for integrating services in Speedy Tomato's mobile portal. Among other features, the services make it possible to send handwritten notes directly from paper to graphic e-mail, fax or SMS.

Telia International Carrier

The carrier market is currently entering a new phase. The previously huge demand on fiber and ducts is expected to decrease. Instead, demand will grow on leased network and wavelength capacity. Players that lack the financial strength and endurance are expected to drop out, and the carrier market is likely to become consolidated in the future. Telia anticipates strong future demand on IP traffic and IP-based services, which is why Telia is completing its planned network expansion. Product offers and customer focus are being modified somewhat.

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Net sales	1,002	909	4,116
of which external	740	675	3,012
Underlying EBITDA	–354	–114	–572
Operating income	–453	–154	–854
Investments	1,147	488	6,634

External sales rose to MSEK 740 for the international carrier operations, an increase of 9.6 percent compared to the same period of 2000. Demand on IP capacity and IP traffic remained strong, with increased sales of 40 and 210 percent, respectively. This is lower than projected since many European operators delayed broadband on the retail market.

External sales decreased somewhat for telephony. The state of the telephony market has changed in 2001. Several players that have established themselves on the wholesale market have financial difficulties and are now dumping their prices. Telia has decided to refrain from business with low margins and high risk, which has affected telephony sales.

Underlying EBITDA was MSEK –354 compared with MSEK –114 year on year. Underlying EBITDA for the fourth quarter of 2000 was MSEK –307. The international carrier operations are in a build-up phase with costs for establishing local technology and sales companies as well as licenses. Weaker than expected revenues and delayed rollout of certain routes, including the TAT 14 Atlantic cable, mean that Telia is leasing capacity on a short-term basis, which has led to increased costs.

The operations of the American ISP AGIS, which was acquired in the spring of 2000, showed a loss of approximately MSEK 120 due to large volumes of leased network capacity. At year-end, when the American part of the Viking Network is in service, traffic can be moved over to our own infrastructure, which will lead to greatly reduced costs. The Boston–Miami (East Corridor) route was lit up during the first quarter. Telia was awarded the distinction Best Internet Provider in the United States during the year.

Earnings were also affected by reserves for estimated credit losses in the telephony operations.

Considering the development of the carrier market, Telia International Carrier does not expect to attain its goal of showing positive EBITDA on a monthly basis by the end of the year.

Telia's aim to create a high-quality network platform in Europe and the United States for future Internet and broadband traffic stands firm. Telia is following its network plans focused on bringing networks that are already in place or that are under construction into service before the end of the year. This means that Telia plans to have a 40,000-kilometer long fiber-optic network in service by the end of 2001, of which 22,000 kilometers will be in Europe and 18,000 kilometers in the United States.

The installation of fiber and ducts initiated in Central Europe – the Czech Republic, Austria, Switzerland and Hungary – will be completed. In Eastern Europe, where the carrier market remains undeveloped with consequent huge demand on infrastructure, the planning efforts initiated with partners in Poland, the Baltic states and Russia continue.

The planned expansion of the Viking Network in Southern Europe will mainly take place through fiber and capacity swaps, and not through installation of Telia's own infrastructure. A swap agreement was signed during the period with the telecom operator Nets, which gives Telia International Carrier access to network capacity abroad, including France and Italy, valued at MSEK 115.

Investments during the first quarter amounted to MSEK 1,147.

When the installations are in service, Telia International Carrier will be able to deliver the network capacity sold to service providers and operators, which will have a positive impact on revenues. At the same time, costs for leased capacity will drop dramatically when Telia's own network capacity is brought into service, which will have a positive effect on earnings.

During the first quarter, Telia signed an agreement with Cecom in Poland for the sale of infrastructure between Warsaw and the Czech border. Several other agreements were signed for the sale of network capacity. Telia signed a major contract with the American operator Sprint extending over several years for the use of the European part of the Viking Network for the distribution of IP-based services on the European market. During the quarter, agreements were also signed with the Russian telecom BalTelecom for the sale of IP capacity on the Moscow–Stockholm route. The agreement with Rostelecom for the sale of transatlantic capacity was expanded at the same time.

Product and service development efforts are underway in order to satisfy the demand on premium services in IP. Telia International Carrier launched services during the quarter for virtual private networks (IP-VPN) and for colocation of IP servers (local services). At the same time, sales are targeting not only service providers and operators, but also end-customers who purchase services on the wholesale level. Agreements were made with Ericsson during the quarter for delivery of a global IP-based network for Ericsson's internal multimedia communication needs.

In order to strengthen the distribution channels, Telia has signed agreements with Cisco for marketing Telia International Carrier's IP capacity and IP-based products in Europe and the United States.

Telia Networks

Telia Networks maintained its margin for underlying EBITDA despite the impending effects of the slashed prices and reduced retail market shares of 2000. The margin was sustained by streamlining measures and increased sales of value-added services, data communications and network capacity on the retail market and by increased wholesale sales to operators and service providers.

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Net sales	8,590	9,288	39,723
of which external	7,475	7,626	30,205
Underlying EBITDA	2,837	2,928	11,257
Operating income	1,127	4,226	7,950
Investments	1,436	749	7,421
Sweden			
Net sales	8,141	8,782	37,987
of which external	7,117	7,302	28,897
Underlying EBITDA	2,883	2,979	11,272
Investments	1,162	720	4,565

In fixed telephony on the retail market in the Nordic countries, which represents 67 percent of the business area's sales, net sales fell by 8.6 percent year on year. The reduced net sales are attributable to a combination of price cuts (–4.9 percent) and lower traffic volumes (–3.9 percent). On the consumer market, the price trend has stabilized during 2001. The lower volumes are partly due to reduced market shares and partly due to the fact that fixed telephony is being increasingly replaced by electronic mail, mobile telephony and SMS.

On the retail market, sales of data communications and network capacity grew by 5.4 percent and 10.9 percent, respectively, while sales of consultant services, IT services and other value-added services climbed by 36 percent.

The competition on the retail market increases demand for network capacity, interconnect traffic and other network products from operators and service providers. This means that Telia Networks can partially compensate its lost revenue on the retail market through higher wholesale sales. During the quarter, external sales in the wholesaling business climbed by 27 percent, which means that net sales for Telia Networks as a whole fell by a moderate 2.0 percent during the first quarter.

The reduced net sales were compensated by continued streamlining of customer services and distribution channels. The margin in the fixed network business was maintained during the period. Underlying EBITDA fell somewhat and totaled MSEK 2,837.

Earnings from associated companies totaled MSEK –414 compared with MSEK 871 in the same quarter of 2000. The associated companies comprise mainly Netia Holdings, the fixed network operators in the Baltic states, Unisource/AUCS and Comsource/Eircom. The weaker earnings in 2001 are primarily attributable to the divestiture of companies in Unisource during the comparison period and to a lesser extent to weaker earnings in Netia and Comsource/Eircom.

Operating income for the quarter totaled MSEK 1,127, compared with MSEK 4,226 year on year. The drop in income was a result of lower share of earnings in associated companies and on capital gains from the sale of fixed network operations in Norway during the comparison period in 2000.

Major efforts are underway on the development of the fixed networks in Sweden, focused on developing the network structure from circuit-switched networks to packet oriented IP networks. Investments totaled MSEK 1,436 during the quarter. A substantial part was for the expansion of broadband in Sweden.

The business area delivered 26,000 broadband Internet connections based on ADSL and LAN during the quarter. Of these customers, 4,000 belong to external service providers. Telia Networks' delivery capacity has increased dramatically in 2001. At the end of the period, 3,000 broadband installations were completed each week and 930 of Sweden's 7,200 stations were adapted for ADSL.

The nationwide fiber-optic network was further expanded and in order to satisfy growing demand on network capacity and fiber-optics, work was initiated during the quarter on "entrances" to Scandinavian Ring, that connects Stockholm–Gothenburg–Malmö–Copenhagen–Oslo. Five new fiber-optic routes will be built: Gothenburg–Örebro, Gothenburg–Jönköping, Malmö–Kalmar, Kalmar–Växjö and Kalmar–Stockholm. The routes are expected to be lit up before the end of the year.

Efforts were continued during the quarter on increasing Telia Networks' share of the business market. IT-HUS is a concept and umbrella term for integrated communications platforms that allow the business area to deliver complete telephony and data solutions for individual offices, but also for entire corporate campuses and business districts. New products are continuously launched in order to ensure continued demand on data communications and network capacity. At the beginning of the year, Telia Dedicated Webhosting was launched, which is a hosting service aimed at e-commerce companies with high demands on performance and quality.

Demand for the newly introduced service Telia Planet, IP-VPN networks aimed at medium-size companies, grew during the period.

Centrex 2000, a network-based exchange with integrated fixed, mobile and IP-based communication capabilities, has been very well received on the market and has already been sold to a large number of customers. Together with Digitala, an automatic operator function, and Unified Messaging, this makes an attractive offering on the business market.

On the consumer market, Telia Networks launched a service that enables an additional ISDN channel to be added to a DuoCom subscription.

New products are continuously being developed for the wholesaling market as well. For companies looking to offer telephony as a complement and value added to their ordinary range, the business area has developed TeleHost. With TeleHost, the business area produces the telephony service, is responsible for operation and maintenance and provides billing information.

During the first quarter, additional access products were launched including shared lines, which allow operators to lease a higher frequency band in copper lines for their specific services while using the lower band for telephony services.

PTS, the Swedish National Post and Telecom Agency, decided during the period that Equal Access with carrier preselection will apply also for local calls as of 2 February 2002.

The SEK 20 increase on the monthly subscription fee as of 1 March 2001 is expected to lead to an additional MSEK 860 in the business area's annual revenues.

On the Danish market, external net sales were MSEK 221. The operations, which continued to show a deficit during the period, are being reviewed.

In Finland, external net sales were MSEK 98. The operations reported positive earnings.

Telia Internet Services

External net sales for the first three months totaled MSEK 532, up 25 percent from the same period the preceding year. The growth is primarily attributable to huge demand for Internet access. Net sales for access increased during the quarter by 28 percent, to MSEK 436. The price level was three percent lower than the preceding year.

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Net sales	535	454	2,108
of which external	532	427	1,819
Underlying EBITDA	–235	–172	–994
Operating income	–282	–192	–1,008
Investments	90	50	626
Sweden			
Net sales	436	377	1,750
of which external	432	351	1,462
Underlying EBITDA	–208	–163	–911
Investments	67	50	537

On the Swedish market, Telia Internet Services gradually increased its rate of delivery of broadband (ADSL and LAN). The number of paying broadband customers rose during the period by 27,000 to 48,000 and approximately 3,000 broadband connections were made per week at the end of the period.

Additional general agreements were signed with property owners and building cooperatives, and the number of potential broadband customers increased during the quarter from 822,000 to 918,000 households.

Demand for dial-up Internet access over PSTN and ISDN remained strong. On the Swedish market, the number of Internet customers with dial-up access increased from 687,000 to 711,000 during the first three months.

The Danish market, where the business area has operations as a broadband provider through the cable TV company Stofa, also showed increased demand for Internet connections. At the end of the quarter, Stofa had installed 211,000 cable TV connections with broadband capability, and 38,000 paying customers with Internet subscriptions, an increase of 8,000 customers during the quarter. The number of customers with dial-up Internet access in the fixed network rose from 78,000 to 86,000.

Telia Internet Services also offers Internet-based services. There was great demand on the business market for services in streaming (web TV), hosting (web hotels etc.), electronic commerce and communications. In electronic commerce, there is huge demand on payment solutions that enable payments to be made and received securely over the Internet. During the quarter, services were introduced such as Telia Säljabonnemang Transaktion Direkt, which makes it possible to use a credit card to make a payment without submitting the card number over the Internet.

Another high-priority product area is security and confidentiality, with services launched at the beginning of the year such as electronic signatures and electronic ID cards. The services are used by businesses such as car dealerships which are then able to process cars in the Swedish National Road Administration's registry of cars over the Internet. Another service launched during the quarter is Telia Antivirus, a security application that is specially adapted to private consumers and small businesses.

Several services were launched in the ProLane product family, broadband access based on fixed connections aimed at companies that need high-speed Internet connections for a large number of users. ProLane services for private networks (Telia ProLane VPN) and for customers that provide Internet access to third parties (Telia ProLane ISP) were launched during the quarter.

In order to create attractive, competitive broadband offerings, Telia Internet Services is developing broadband services specially adapted to the Swedish consumer market. The services developed are mainly within entertainment, news, information, data and communications. The services are developed in cooperation with content providers and are made accessible on the broadband portal that the business area launched at the beginning of April. The portal is a development of Telia's www.startsidan.telia.se, which is one of the most popular portals in Sweden with a large number of users for Internet, e-mail, etc. Immediately after the launch of the broadband portal, there was an enormous increase in both the number of unique visitors as well as registered users. New types of broadband service will be launched on the broadband portal on a continuous basis.

The business area is currently making major efforts on building up a broadband market for Internet-based services, which entail costs for the development of access products and services as well as for building IT systems, customer services and help desk services for handling the large stream of customers. Underlying EBITDA during the quarter totaled MSEK –235 and the business area expects to report continued negative earnings during 2001. In order to further strengthen the broadband initiative, the Swedish cable TV business com hem will be transferred to Telia Internet Services.

Today's price level for broadband connections is too low. This is why a decision has been made to increase the monthly fee for individual connections from the current SEK 250 to SEK 325 as of 1 September. Telia Internet Services will also negotiate with property owners, building cooperatives and the Swedish Houseowners Association regarding the price increase for group-based subscriptions.

Telia Equity

Telia Equity is responsible for the Group's refine and focus strategy and manages the shareholdings that Telia has decided to retain in the divested companies. The Telia Group introduced its refine and focus efforts in the autumn of 2000 with the sale of some 15 operations and the listing of the directory company Eniro.

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Net sales	3,826	4,221	19,050
of which external	1,180	1,590	6,450
Underlying EBITDA	204	126	1,624
Operating income	155	–276	5,419
Investments	512	2,015	7,185

The wholly owned companies Telia Trading and Combinator were sold as well as the associated company SI.Mobil in Slovenia during the first quarter of 2001.

During the quarter, agreements were signed for the sale of the content of the directory company Panorama Polska to Eniro and for the sale to Industri Kapital of 51 percent of the holdings in the companies Telia Dokumentation AB, Multicom Security AB, Respons AB, Swedia Networks AB, TA Teleadress Information AB, Telia ProSoft AB, Telia Swedtel AB and Validation AB. Agreements were also made regarding the sale of the call center company Direct Response Services to a Dutch company. All sales are estimated to be completed during the second quarter.

At the beginning of April, Telia divested its financial interests in the Brazilian mobile operator Tess. The divestiture is expected to

yield a capital gain of GSEK 2.7. Of the purchase price, an amount equivalent to GSEK 4.6 was paid in cash, while the remaining GSEK 2.3 is comprised of a three-year loan.

On 23 April, the Italian directory company Seat Pagine Gialle made a public offer on Eniro, of which Telia controls 47.3 percent.

The divestitures completed during 2000 and the first three months of 2001 and divestitures under contract involve over 10,000 employees.

During the quarter, the business area included, in addition to the above-mentioned companies, Neterna, Telia Systems, Relacom, Telia Service and Telia Installation. Also included were Infomedia Partner, com hem, Telia Finans, Telia Credit, Sergel Kredittjänster, the Telia Overseas Group, Unite, Telia Kundutbildning, Telia Business Innovation, Telia Satellit and the Russian company Telix.

The divestitures led to a decline in external net sales for the business area during the year. External net sales increased for comparable units by 8 percent. The strongest growth was reported by Swedia Networks, the cable TV business com hem and Neterna.

Underlying EBITDA increased by MSEK 78 for the period. The increase was MSEK 97 for comparable units. Swedia Networks, Telia Credit and ProSoft showed the healthiest earnings growth. Within com hem, underlying EBITDA fell due to major initiatives for upgrading the cable television network to broadband and the development of interactive services. The number of installed broadband connections surged by 59,000 to 252,000 during the period. The number of paying customers with broadband Internet increased by 9,000 to 31,000.

Earnings from associated companies totaled MSEK 247 compared with MSEK –244 year on year. The improvement is chiefly attributable to capital gains from the sale of SI.Mobil and a new share issue within Eniro, while Tess had a negative impact on earnings.

Non-recurring items totaled MSEK –30, compared with MSEK 104 in the preceding year. Non-recurring items include capital gains totaling MSEK 9, primarily from the sale of Telia Trading and Combinator.

Telia Equity reported operating income of MSEK 155 after earnings from associated companies and non-recurring items.

Investments amounted to MSEK 512, including MSEK 162 in com hem. These substantial investments in 2000 are primarily attributable to increased shareholding in Tess.

Parent Company

The parent company Telia AB, whose Board of Directors is registered in Stockholm, contains the Group's Swedish operations for fixed network development, construction, and operation, and provides basic production of network services. The parent company also comprises Group executive management functions, several support units, and the Group's internal banking operations.

Net sales were MSEK 5,640 (6,333), of which MSEK 4,857 (5,293) was billed to subsidiaries. Earnings before appropriations and tax decreased to MSEK 372 (2,895), primarily due to reduced Group contributions from subsidiaries.

Net income after appropriations and tax was MSEK 658 (2,155). Equity was MSEK 37,015 (36,459 at year-end), and retained earnings MSEK 13,517 (12,961).

The balance sheet total expanded, to MSEK 94,644 (91,494 at year-end). Cash flow from operating activities was MSEK –544 (1,312), while operating cash flow was MSEK –3,669 (–6,844). Net borrowings expanded somewhat, to MSEK 6,559 (6,463 at year-end). Liquid funds were MSEK 593 (538).

The equity/assets ratio (including the equity component of untaxed reserves) improved to 52.2 percent (51.9 percent).

Total investments were MSEK 2,499 (3,549), including MSEK 1,041 (828) in tangible fixed assets, primarily fixed telephony installations. Other investments totaling MSEK 1,458 (2,721) were primarily attributable to capital infusions in subsidiaries and associated companies.

The number of employees as of 31 March was 614 (1,056 at year-end 2000). The decline in the workforce is due to streamlining and transferring the invoicing system operations to subsidiaries.

Outlook for 2001

The focus on mobile communications, expansion of a broadband market and establishment of Telia on the international carrier market are laying the ground for growth in sales and earnings.

Earnings for 2001, however, will be affected by costs for initiatives for broadband development and international carrier business initiatives.

The price structure in the Swedish fixed network operations is expected to stabilize, which together with the streamlining measures will sustain profitability.

The ongoing refine and focus efforts will strengthen Telia's financial position.

Stockholm, 10 May 2001

Marianne Nivert
President and CEO

Auditors' Review Report

We have reviewed this interim report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in scope in comparison to an audit. Nothing has come to our attention that indicates that this interim report fails to comply with the requirements of the Swedish Securities Exchange Act or the Swedish Annual Accounts Act.

Stockholm, 10 May 2001

Ernst & Young AB

Gunnar Widhagen
Authorized Public Accountant

Filip Cassel
Authorized Public Accountant

Torsten Lyth
Authorized Public Accountant

Group Income Statements

MSEK	Jan–Mar 2001	Jan–Mar 2000	Apr 2000–Mar 2001	Full Year 2000	Full Year 1999
Net sales	13,592	12,857	54,799	54,064	52,121
Costs of production	–8,638	–7,751	–33,915	–33,028	–31,206
Gross income	**4,954**	**5,106**	**20,884**	**21,036**	**20,915**
Sales, administrative, and R&D expenses	–4,131	–3,876	–16,581	–16,326	–14,887
Other operating revenues and expenses, net	145	1,510	7,128	8,493	–805
Share of earnings in associated companies	–157	642	–1,996	–1,197	723
Operating income	**811**	**3,382**	**9,435**	**12,006**	**5,946**
Net financial income/expense	–309	54	–652	–289	34
Income after financial items	**502**	**3,436**	**8,783**	**11,717**	**5,980**
Taxes	–208	–1,049	–606	–1,447	–1,754
Minority shares	–3	3	2	8	–4
Net income	**291**	**2,390**	**8,179**	**10,278**	**4,222**
Earnings per share (SEK)	**0.10**	**0.84**	**2.75**	**3.50**	**1.48**

Quarterly Data

MSEK	2001 Q1	2000 Q4	2000 Q3	2000 Q2	2000 Q1	1999 Q4	1999 Q3	1999 Q2	1999 Q1
Net sales	13,592	14,540	13,487	13,180	12,857	14,887	11,771	13,066	12,397
Underlying EBITDA	3,348	3,790	3,180	2,857	3,260	3,343	3,466	3,616	3,634
Non-recurring items & pensions	30	6,937	–116	201	1,316	–7	–273	–362	–542
Share of earnings in associates	–157	–370	–759	–710	642	1,213	–153	227	–564
EBITDA	3,221	10,357	2,305	2,348	5,218	4,549	3,040	3,481	2,528
Depreciation, amortization & write-downs	–2,410	–2,427	–2,099	–1,860	–1,836	–2,044	–1,890	–1,872	–1,846
Operating income	811	7,930	206	488	3,382	2,505	1,150	1,609	682
Income after financial items	502	7,658	267	356	3,436	2,445	1,244	1,609	682
Net income	291	7,408	172	308	2,390	1,755	869	1,118	480
Earnings per share (SEK)	0.10	2.47	0.06	0.10	0.84	0.62	0.30	0.39	0.17

Group Balance Sheets

MSEK	31 Mar 2001	31 Mar 2000	31 Dec 2000	31 Dec 1999
Assets				
Intangible fixed assets	26,351	2,104	25,198	2,146
Tangible fixed assets	45,686	33,433	43,807	33,318
Financial fixed assets	23,576	21,825	22,335	18,023
Inventories etc.	796	1,209	773	971
Receivables	29,291	23,915	29,072	20,369
Current investments	76	307	178	1,264
Cash and bank deposits	1,286	512	1,352	513
Total assets	**127,062**	**83,305**	**122,715**	**76,604**
Equity and liabilities				
Equity	58,298	35,187	55,988	32,893
Minority shares	522	508	320	210
Provisions for pensions	3,609	3,287	3,525	3,246
Other provisions	7,602	7,003	7,826	7,242
Long-term loans	26,149	9,861	20,876	9,123
Short-term loans	12,315	10,733	13,166	6,934
Non-interest-bearing liabilities	18,567	16,726	21,014	16,956
Total equity and liabilities	**127,062**	**83,305**	**122,715**	**76,604**

Group Cash Flow Statements

MSEK	Jan–Mar 2001	Jan–Mar 2000	Apr 2000–Mar 2001	Full Year 2000	Full Year 1999
Cash flow from operating activities	**486**	**1,709**	**8,929**	**10,152**	**10,715**
Cash flow from investing activities	–3,512	–4,306	–36,327	–37,121	–10,701
Operating cash flow	**–3,026**	**–2,597**	**–27,398**	**–26,969**	**14**
Cash flow from financing activities	2,862	1,594	28,086	26,818	1,005
Cash flow for the period	**–164**	**–1,003**	**688**	**–151**	**1,019**
Net interest-bearing liability, opening balance	**20,235**	**7,527**	**7,623**	**7,527**	**6,767**
Change in net borrowings	4,106	55	16,480	12,429	–753
Change in pension liability	84	41	322	279	1,513
Net interest-bearing liability, closing balance	**24,425**	**7,623**	**24,425**	**20,235**	**7,527**

Group Business Areas

Jan–Mar 2001 (pro forma)

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	4,062	1,002	8,590	535	3,826	–4,423	**13,592**
External net sales	3,614	740	7,475	532	1,180	51	**13,592**
Underlying EBITDA	1,134	–354	2,837	–235	204	–238	**3,348**
Depreciation, amortization and write-downs	–738	–98	–1,254	–32	–266	–22	**–2,410**
Non-recurring items & pensions	–16	–	–42	0	–30	118	**30**
Share of earnings in associates	27	–1	–414	–15	247	–1	**–157**
Operating income	407	–453	1,127	–282	155	–143	**811**
Operating capital	34,381	8,905	34,090	775	7,299	–2,968	**82,482**
Equity participation in associates	2,309	1	8,189	6	3,300	0	**13,805**
Investments	509	1,147	1,436	90	512	–35	**3,659**
Number of employees	4,190	702	9,103	942	14,197	802	**29,936**

Jan–Mar 2000 (pro forma)

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	2,994	909	9,288	454	4,221	–5,009	**12,857**
External net sales	2,481	675	7,626	427	1,590	58	**12,857**
Underlying EBITDA	845	–114	2,928	–172	126	–353	**3,260**
Depreciation, amortization and write-downs	–309	–40	–1,176	–20	–262	–29	**–1,836**
Non-recurring items & pensions	11	–	1,603	–	104	–402	**1,316**
Share of earnings in associates	16	0	871	0	–244	–1	**642**
Operating income	563	–154	4,226	–192	–276	–785	**3,382**
Operating capital	6,052	741	35,910	398	2,442	–4,094	**41,449**
Equity participation in associates	1,881	22	9,363	4	1,488	0	**12,758**
Investments	1,001	488	749	50	2,015	341	**4,644**
Number of employees	3,188	347	9,649	657	15,897	851	**30,589**

Jan–Dec 2000 (pro forma)

MSEK	Mobile	International Carrier	Networks	Internet Services	Equity	Group-wide	Group total
Net sales	14,556	4,116	39,723	2,108	19,050	–25,489	**54,064**
External net sales	12,365	3,012	30,205	1,819	6,450	213	**54,064**
Underlying EBITDA	3,396	–572	11,257	–994	1,624	–1,624	**13,087**
Depreciation, amortization and write-downs	–1,961	–263	–4,804	–98	–975	–121	**–8,222**
Non-recurring items & pensions	20	1	1,353	108	6,197	659	**8,338**
Share of earnings in associates	130	–20	144	–24	–1,427	0	**–1,197**
Operating income	1,585	–854	7,950	–1,008	5,419	–1,086	**12,006**
Operating capital	32,653	6,919	32,613	833	7,121	–5,097	**75,042**
Equity participation in associates	2,122	3	7,834	5	3,334	0	**13,298**
Investments	26,017	6,634	7,421	626	7,185	–141	**47,742**
Number of employees	3,928	672	9,477	918	14,044	829	**29,868**

Geographic Segment Breakdown

Jan–Mar 2001

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of Europe	Rest of world	Group total
External net sales	11,176	1,772	14	392	238	**13,592**
Depreciation, amortization & write-downs	–1,683	–616	–4	–42	–65	**–2,410**
Share of earnings in associated companies	230	–3	–131	–253	–0	**–157**
Operating income	2,164	–549	–136	–562	–106	**811**
Operating capital	30,007	32,606	7,749	6,026	6,094	**82,482**
Equity participation in associated companies	1,034	31	7,611	885	4,244	**13,805**
Investments	1,942	677	6	772	262	**3,659**
Number of employees	24,621	3,945	192	475	703	**29,936**

Jan–Mar 2000

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of Europe	Rest of world	Group total
External net sales	11,625	755	22	244	211	**12,857**
Depreciation, amortization & write-downs	–1,607	–173	–4	–20	–32	**–1,836**
Share of earnings in associated companies	14	0	28	923	–267	**642**
Operating income	1,765	1,068	–40	883	–294	**3,382**
Operating capital	23,153	3,565	4,828	5,994	3,909	**41,449**
Equity participation in associated companies	56	50	4,714	4,901	3,037	**12,758**
Investments	1,555	281	759	726	1,323	**4,644**
Number of employees	25,808	2,767	669	637	708	**30,589**

Jan–Dec 2000

MSEK	Sweden	Other Nordic countries	Baltic region	Rest of Europe	Rest of world	Group total
External net sales	46,469	5,094	137	1,292	1,072	**54,064**
Depreciation, amortization & write-downs	–6,581	–1,312	–19	–107	–203	**–8,222**
Share of earnings in associated companies	219	–9	–206	513	–1,714	**–1,197**
Operating income	14,274	–256	–160	–50	–1,802	**12,006**
Operating capital	26,287	30,739	7,103	4,741	6,172	**75,042**
Equity participation in associated companies	718	32	6,988	1,112	4,448	**13,298**
Investments	10,578	25,527	2,865	3,602	5,170	**47,742**
Number of employees	24,905	3,754	173	408	628	**29,868**

Notes to the Accounts

Non-recurring items and pensions

MSEK	Jan–Mar 2001	Jan–Mar 2000	Apr 2000–Mar 2001	Full Year 2000	Full Year 1999
Personnel restructuring	–	–	–	–	–722
Common pension commitments etc.	17	–176	1,047	854	189
Initial public offering / integration expenses	–	–	–144	–144	–226
Year 2000 compliance	–	–	–	–	–604
Capital gains/losses	266	1,492	6,630	7,856	582
Total	**283**	**1,316**	**7,533**	**8,566**	**–781**
Excluding capital gains / losses in associated companies	30	1,316	7,052	8,338	–1,184

Fixed assets

	Intangible fixed assets			Tangible fixed assets		
MSEK	31 Mar 2001	31 Dec 2000	31 Dec 1999	31 Mar 2001	31 Dec 2000	31 Dec 1999
Opening balance	**25,198**	**2,146**	**1,844**	**43,807**	**33,318**	**34,801**
Purchases	81	23,402	708	3,581	16,084	7,342
Operations acquired	–	59	15	0	2,431	12
Sales/discards	0	–54	–31	–119	–579	–1,322
Operations divested	–	–255	–	–	–387	–
Reclassifications	123	–86	–18	–128	54	44
Depreciation & amortization for the period	–417	–867	–286	–1,999	–7,352	–7,261
Write-downs for the period/reversals of write-downs	0	–1	–46	–	–36	–115
Fixed-asset contributions from cable TV customers	–	–	–	4	21	45
Exchange rate differences	1,366	854	–40	540	253	–228
Closing balance	**26,351**	**25,198**	**2,146**	**45,686**	**43,807**	**33,318**

Equity

MSEK	31 Mar 2001	31 Mar 2000	31 Dec 2000	31 Dec 1999
Opening balance	**55,988**	**32,893**	**32,893**	**29,344**
Changes in accounting policies (IAS 39):				
– Market value of quoted securities	–161	–	–	–
– Gains/losses on fair value and cash flow hedging instruments	–181	–	–	–
Adjusted opening balance	*55,646*	*32,893*	*32,893*	*29,344*
Dividend	–	–	–1,470	–1,400
New share issue	–	–	12,750	–
Underwriting expenses after tax, booked directly to equity	–	–	–231	–
Transactions with outside parties	–6	–	–82	613
Share of earnings in companies previously outside the Group	–	29	29	–
Differences arising from the translation of foreign operations	2,767	–211	2,127	19
Market value of quoted securities	2	–	–	–
Gains/losses on cash flow hedging instruments	–87	–	–	–
Translation differences after tax on forward contracts used as equity hedge	–315	86	–306	95
Net income for the period	291	2,390	10,278	4,222
Closing balance	**58,298**	**35,187**	**55,988**	**32,893**

Changes in share capital

	Number of shares	Par value, SEK/share	Share capital, kSEK	Average number of shares
Share capital, 31 Dec 1999	**8,800,000**	**1,000.00**	**8,800,000**	**2,851,200,000**
Share capital, 31 Mar 2000	**8,800,000**	**1,000.00**	**8,800,000**	**2,851,200,000**
Bonus issue, 20 May 2000	–	1,036.80	323,840	–
324:1 split, 20 May 2000	2,842,400,000	3.20	–	–
New share issue, settlement date 16 June 2000	150,000,000	3.20	480,000	–
Share capital, 31 Dec 2000	**3,001,200,000**	**3.20**	**9,603,840**	**2,932,757,377**
Share capital, 31 Mar 2001	**3,001,200,000**	**3.20**	**9,603,840**	**3,001,200,000**

Financial instruments

MSEK	31 Mar 2001 Book value	31 Mar 2001 Market value	1 Jan 2001 (pro forma) Book value	1 Jan 2001 (pro forma) Market value	31 Dec 2000 Book value	31 Dec 2000 Market value
Participations in associated companies	13,805	23,700	13,298	23,173	13,298	23,173
Other holdings of securities	489	489	412	412	635	412
Other financial assets	15,185	15,117	15,345	15,277	15,345	15,277
Interest swaps, interest received	–	–	676	676	–	–
Interest swaps, interest paid	–	–	–646	–646	–	–
Currency swaps, received	7,285	7,285	12,675	12,675	–	–
Currency swaps, paid	–6,597	–6,597	–12,218	–12,218	–	–
Forward exchange contracts	437	437	360	360	–	–
Assets	**30,604**	**40,431**	**29,902**	**39,709**	**29,278**	**38,862**
Long-term loans	26,603	27,066	22,003	22,129	22,031	22,158
Short-term loans	12,595	12,610	13,476	13,483	13,462	13,483
Interest swaps, interest received	–2,096	–2, 096	–1,408	–1,408	–2,066	–2,085
Interest swaps, interest paid	2,155	2,155	1,484	1,484	2,281	2,342
Currency swaps, received	–8,640	–8,640	–180	–180	–12,668	–12,855
Currency swaps, paid	8,610	8,610	212	212	11,831	12,220
Forward exchange contracts	501	501	551	551	199	191
Liabilities	**39,728**	**40,206**	**36,138**	**36,271**	**35,070**	**35,454**
less book value of accrued interest	–763		–829		–829	
less book value of forward exchange contracts	–501		–551		–199	
book value of interest-bearing liabilities	**38,464**		**34,758**		**34,042**	
Forward exchange contracts (portfolio)						
Buy foreign currency	28,284	28,284	10,114	10,114	9,937	10,114
Sell foreign currency	16,217	16,217	6,832	6,832	6,662	6,832

Contingent assets, contingent liabilities

MSEK	31 Mar 2001	31 Dec 2000
Contingent assets	–	–
Collateral pledged		
Blocked funds in bank accounts	11	12
Total	**11**	**12**
Contingent liabilities		
Credit and performance guarantees, etc.	1,106	995
FPG/PRI	165	165
Other contingent liabilities	112	164
Total	**1,383**	**1,324**

Contractual investment obligations

MSEK	31 Mar 2001	31 Dec 2000
Tangible fixed assets	4,279	4,235
Indefeasible Rights of Use (IRU)	867	1,026
Associated companies/companies outside the Group	902	145
	6,048	**5,406**

Accounting Policies

Consolidated financial statements. For the first quarter as well as in the most recent annual report, the Telia Group's accounts have been prepared in accordance with the Swedish Annual Accounts Act and applying International Accounting Standards (IAS). The accounts for the parent company Telia AB were prepared in accordance with Swedish law and generally accepted accounting principles in Sweden. This report was prepared in accordance with IAS 34 "Interim Financial Reporting."

IAS 39 "Financial Instruments: Recognition and Measurement" took effect on 1 January 2001. Application of this standard means that financial assets with certain exceptions must be stated at fair value. Assets held to maturity, receivables arising from own lending and assets whose fair value cannot be reliably determined, e.g. unlisted shares and participations, are valued at their amortized cost. Telia considers quoted securities as available for sale, which means that the value change up to the date of trading is booked directly to equity.

Financial liabilities will continue to be valued primarily at amortized cost. Financial liabilities that are not held for trading and that are hedged against changes in fair value, however, are reported at fair value.

According to IAS 39, derivatives should be continuously valued at fair value and taken up in the balance sheet. The standard also contains hedge accounting rules for assets or liabilities hedged against changes in fair value, cash flow hedges and hedges of net investments in foreign entities. Telia uses derivatives, such as interest rate and currency swaps and forward contracts, primarily to control exposure to fluctuations in interest rates and exchange rates. Loans are also used for hedging foreign exchange risks regarding net investments. Net value changes in derivatives used for fair value hedging, and the hedged loan, are charged to the income statement. Value changes in outstanding derivatives used to hedge cash flow are booked directly to equity. The previously applied policy for hedge accounting for net investments complies with IAS 39. There are no agreements that include embedded derivatives as per the reporting date.

IAS 39 may not be applied retroactively. In accordance with the transitional regulations, for those items that are affected by the changed policies, an accumulated adjustment of the opening balance after tax is booked directly to equity (see the note "Equity" above).

Pro forma accounts. A new Group structure was implemented on 1 April 2001. Accordingly, figures for the first quarter of 2001 for the business areas in this report have been restated pro forma.

Swedish GAAP. IAS differs in certain respects from Swedish accounting principles, chiefly regarding the calculation of pension

liabilities and pension expenses and accounting for financial instruments.

When calculating pension liabilities, according to IAS, in contrast to Swedish standards, assumptions must be made regarding anticipated pay raises, inflation, discount rates and employee turnover along with anticipated return on plan assets. Effects of changed assumptions and/or outcome other than the expected are recognized in the income statement in accordance with Swedish regulations. In accordance with IAS, such items are recognized only when the value goes outside a "corridor" equal to 10 percent of the greater of either pension obligations or the market value of plan assets, and then over the remaining employment period.

For financial instruments, Swedish standards differ from IAS mainly with regard to accounting for unrealized value changes in derivatives and publicly quoted securities and accounting for liabilities hedged against changes in fair value (cf. the description of IAS 39 above).

The application of Swedish accounting principles has the following effects on the net income and equity of the Telia Group.

MSEK	Jan–Mar 2001	Jan–Mar 2000	Full Year 2000
Net income as per IAS	**243**	**2,390**	**10,278**
Pensions	–140	–219	293
Financial instruments	–17	–	–
Deferred tax	44	61	–82
Net income as per Swedish GAAP	**130**	**2,232**	**10,489**
Shareholders' equity as per IAS	**58,298**	**35,187**	**55,988**
Pensions	1,093	721	1,233
Financial instruments	576	–	–
Deferred tax	–467	–202	–345
Shareholders' equity as per Swedish GAAP	**59,500**	**35,706**	**56,876**

U.S. GAAP. IAS differs in certain respects from U.S. GAAP. A complete reconciliation against U.S. GAAP is provided in the Group's 2000 annual report.

FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" must be applied for a financial year beginning after 15 June 2000. The changes to the accounting principles made with the transition to IAS 39 (see above) are in accordance with FAS 133. The previous reconciling item "Publicly quoted securities" is no longer used. FAS 133 may not be applied retroactively. The transitional regulations differ somewhat from IAS 39.

The operations during the first quarter of 2001 have otherwise not entailed any new reconciling items with U.S. GAAP.

Related party transactions

The Swedish state. The Telia Group's range of services and products is offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain government-owned companies conduct business in competition with Telia. Likewise, Telia purchases services from state-owned companies at market rates and on conventional commercial terms. Neither the Swedish state, its agencies, nor state-owned companies represent a significant share of Telia's net sales or income.

Telia pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities, as must other operators subject to registration with PTS. The fee is set at 1.5 thousandths of the sales that the operator has for activities that require a permit.

Eniro. Telia owns a participating interest in Eniro AB. Several agreements were established between Telia and Eniro in 2000 for Eniro's listing on Stockholmsbörsen, the Stockholm Stock Exchange. Telia divested to Eniro all outstanding shares in those subsidiaries active in directory operations, with the exception of TIM Varumärke AB, which owns certain trademarks used in Eniro's operations. In accordance with the contract, Eniro took possession of the shares in TIM Varumärke during the first quarter of 2001. Furthermore, Telia would, if outstanding shares in the at present 49 percent holding in the Polish directory company Panorama Polska were acquired, give Eniro an irrevocable option to acquire all shares in said company at market value. As per the reporting date, Telia had not pursued the acquisition of the remaining shares in Panorama Polska.

Comsource/Eircom. Telia owns 40 percent of the Irish company Comsource UnLtd; KPN of the Netherlands owns the other 60 percent. Comsource in turn owns 35 percent of the shares in Eircom plc. At the end of the period, Telia had interest-bearing loans to Comsource totaling MSEK 6,459, granted primarily to finance the acquisition of the company's stake in Eircom.

Tess. Telia owns a participating interest in the Brazilian mobile operator Tess S/A. As of the reporting date, Telia had a term surety bond equaling MSEK 671 on that part of Tess's borrowing from parties outside the Group.

Bharti Mobile. As of the reporting date, Telia had receivables from the Indian associated company Bharti Mobile Ltd in the amount of MSEK 109.

Other. In addition, Telia buys and sells services and products to a limited extent from these and other associated companies, in all cases on conventional commercial terms.

Non-cash transactions

Infrastructure/capacity swaps. Within the international carrier business, swap contracts are signed with other carriers for infrastructure and capacity. As the swap contracts concern assets of similar nature and value, the transactions in the consolidated accounts were not reported as acquisitions or divestitures. Before both parties have fulfilled all deliveries as per contract, the value delivered can differ from the value received. As of the balance sheet date, Telia had received infrastructure and network capacity through swapping for a market value of MSEK 528.

Eniro. The associated company Eniro AB acquired operations in Germany for part payment in its own shares. This dilution of Telia's participating interest yielded a non-cash capital gain of MSEK 245.

WirelessCar. Another partner has entered into the associated company WirelessCar Sweden AB. The dilution of Telia's participating interest yielded a non-cash capital gain of MSEK 8.

Financing activities and rating

During the first quarter, the Group took a new public Euro loan totaling MEUR 300 in the Group's EMTN program. The loan is long-term and has a five-year term to maturity. Telia has taken on additional long-term borrowing in the form of EMTN and FTN bonds with terms to maturity between four and ten years. Short-term borrowing, including through the Group's ECP program, was also utilized during the period. Most of the borrowings denominated in foreign currencies have been swapped into Swedish kronor. The borrowing activities were a result of refinancing needs and a negative operating cash flow.

The need for extensive borrowing in the telecom industry, combined with generally worsened credit outlooks for most telcos in Europe, has resulted in a warped balance between supply and

demand for loan capital. This development has also had a negative impact on Telia's relative cost of borrowing, though still not to the same extent as for most other telecom operators. On the other hand, the general interest rate level was adjusted downward during the period, which meant that total interest costs did not increase to the same extent as indicated by the relative cost of borrowing.

During the period, the rating institutes Standard & Poor's and Moody's performed audits of Telia. The result was that Standard & Poor's confirmed Telia's long-term AA rating, but changed the Outlook to Negative. Moody's decided to adjust Telia's long-term rating from Aa3 to A1 with Outlook Stable. The credit rating for Telia's short-term borrowing remains at the highest possible rating from both rating institutes. Altogether, even after the changed ratings, Telia remains one of the most creditworthy telecom companies in Europe and the rating changes are not considered to have any material effect on Telia's cost of borrowing.

Subscription Trends [1]

('000)	31 Mar 2001	Full Year 2000	Full Year 1999	Full Year 1998	Full Year 1997	Full Year 1996
Fixed telephony, PSTN						
Sweden	5,762	5,783	5,889	5,965	6,010	6,032
Denmark and Finland	372	362	339	275	181	12
Mobile telephony						
Sweden	3,259	3,257	2,638	2,206	1,935	1,745
Norway	854	850	–	–	–	–
Other Nordic countries	485	446	203	120	–	–
ISDN channels						
Sweden	866	838	630	424	244	129
Internet						
Sweden [2]	792	738	604	440	231	106
Denmark	124	108	78	63	11	–
Cable television						
Sweden	1,361	1,358	1,348	1,330	1,308	1,291
Other Nordic countries	175	175	170	164	145	137
Rest of world	74	69	31	19	7	–

1) For further information: www.telia.com, Investor Relations, Financial information, Operational information
2) Telia Internet Services and Cable TV.

Report from the Annual General Meeting

Telia held its Annual General Meeting on May 10. The decisions made at the Meeting included the following:

Board of Directors

Lars-Eric Petersson, Carl Bennet, Ingvar Carlsson, Anders Igel and Birgitta Johansson-Hedberg were reelected members of the Board. Jan-Åke Kark had declined reelection. Peter Augustsson, Marianne Nivert, Lars Olofsson and Caroline Sundewall were elected new members of the Board.

Dividend

The Meeting approved a dividend for 2000 of SEK 0.20 per share and an extra dividend of SEK 0.30 per share, totaling a dividend of SEK 0.50 per share, with a record date of May 15, 2001. With this record date, the dividend is expected to be paid by VPC (The Swedish Securities Register Centre) on May 18, 2001.

Employee options program

The Annual General Meeting decided, in accordance with the proposal by the Board, to implement an employee options program with the following main terms and conditions;

The stock options program shall encompass about 16,000 employees. This includes all employees on a permanent employment basis in the Telia Group except employees in those companies in the Equity business area that are subject to a broadening of ownership. In companies in the Equity business area in which no broadening of ownership occurred not later than January 1, 2002, the permanent employees shall be included in the stock options program. A maximum of about 5,000 employees in these companies could be added. The offering is not being made to employees in those countries where it is considered unsuitable to allot stock options for legal, tax or administrative reasons.

The stock options shall be allotted at no charge, whereby each affected employee shall receive 1,000 stock options.

The stock options program shall comprise a total of not more than 21,000,000 stock options. Each stock option shall carry entitlement to exercise of one warrant for subscription of a new share in Telia AB at a subscription price equaling 115 percent of the average quoted price of the Telia-share on the Stockholm stock exchange during the period May 14–May 18, 2001. The stock options shall not be considered securities and it shall not be possible to transfer them to a third party.

The option-holder shall have the right to exercise the allotted stock options not earlier than May 31, 2003 and not later than May 31, 2005. This is mainly under the condition that such persons at the time of exercise are employed within the Telia Group.

In order to implement the stock options program, the General Meeting decided to issue debentures with detachable warrants for subscription of new shares. The nominal amount of the debentures shall amount to a maximum of SEK 275,000 and the number of detachable warrants shall amount to a maximum of 27,500,000 warrants. 21,000,000 of the warrants are issued so that Telia may fulfill the commitment to the employees arising from the stock options program and 6,500,000 warrants are issued in order to be sold to offset the effect of the costs for social fees that may arise as a result of the stock options program if the price of the Telia-share increases.

The total number of warrants will equal 0.9 percent of the number of outstanding shares if all warrants are exercised.

Nominating committee

The Annual General Meeting resolved to establish a nominating committee, which will consist of representatives from the four largest shareholders in the Company from time to time, plus the Chairman of the Board. The primary purpose of the committee will be to nominate Board members and present proposals regarding Board member compensation. The committee shall devote special attention to the need for greater equality between women and men.

Definitions

ARPU. Average monthly revenue per subscription.

Adjusted equity. Reported equity less the proposed dividend.

Capital employed. Balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions reported, and the proposed dividend.

Churn. Number of customers that have left the company expressed as a percentage of the average number of customers.

Debt/equity ratio. Net interest-bearing liabilities divided by adjusted equity.

EBITDA. Earnings Before Interest, Tax, Depreciation and Amortization.

Earnings per share. Net income divided by the weighted average number of shares.

Equity/assets ratio. Adjusted equity expressed as a percentage of the balance sheet total.

Interest coverage ratio. Operating income plus financial revenues divided by financial expenses.

Net borrowings. Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.

Net interest-bearing liability. Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.

Net cash flow. Increase (–) or decrease (+) in net interest-bearing liabilities.

Notation conventions. To conform with Swedish and international standards, this report applies the following notations.

Currencies:	Swedish kronor	SEK
	US dollars	USD
	euro	EUR
Prefixes:	thousand	k
	million	M
	billion	G

Operating capital. Capital employed excluding financial assets but including participations in associated companies and non-interest-bearing accounts receivable.

Return on equity. Net income expressed as a percentage of average adjusted equity.

Total asset turnover. Net sales divided by the average balance sheet total.

Underlying EBITDA. EBITDA adjusted for shares in earnings of associated companies, capital gains/losses (excluding in venture capital operations and from telecom investments outside the Nordic countries) and common pension obligations. For previous periods, also adjusted for costs of personnel restructuring (including early retirement), year 2000 compliance, as well as for the IPO and preparations for the merger with Telenor.

Underlying EBITDA margin (underlying gross margin). Underlying EBITDA expressed as a percentage of net sales.

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